

Tax Issues on Distributions from Retirement Plans

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Tax Exempt and Government Entities

Employee Plans

2007 IRS Nationwide Tax Forum

Distributions Before Retirement -Loans-

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- Not All Plans Are Created Equal
 - Loans in IRA-based plans = no
 - Loans in qualified plans = maybe
- Basic Loan Provisions
- Taxability Issues



Distributions Before Retirement -Hardships-

- Hardship Defined
 - 401(k) plans
 - Beneficiaries under PPA
- Hardship Limits
 - Basic limits
 - Effect of designated Roth account feature

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Distributions Before Retirement -Divorce-



- Qualified Domestic Relations Order (QDRO)
 - Permitted distributions options per plan
 - Not subject to 10% early withdrawal additional tax

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Distributions Before Retirement

-Early Distributions-

- Take It or Leave It – Things to Consider
- 10% Early Distribution Additional Tax
 - Exceptions
 - Age 59 ½
 - Separation from service and age 55
 - Substantially equal payments
 - Disability or death

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Distributions Before Retirement -Termination of Employment-

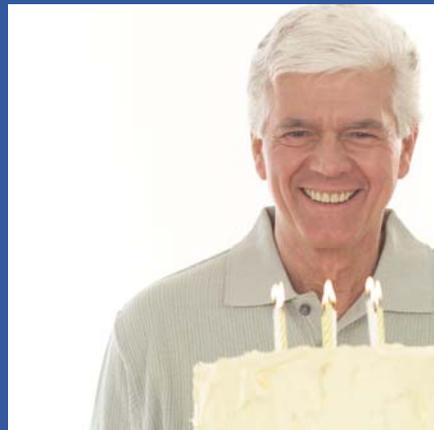
- Direct Rollover Rules
- Automatic Rollovers
- Roth 401(k)/IRA
- Withholding Requirements
- IRA 60-Day Rollover – PLR



Distributions After Retirement

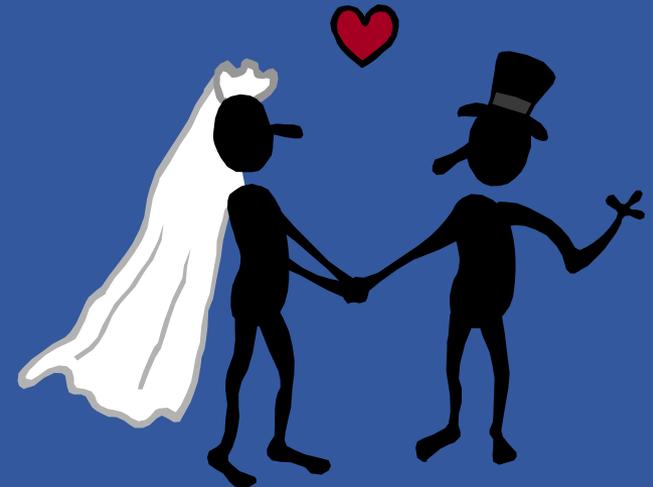
-Age 70½-

- Required Beginning Date – Age 70½
 - Calculations
 - Qualified charitable distributions from IRA



Distributions After Death -Spouse is Beneficiary-

- Who is a Spouse?
- Distribution Options
- Inherited IRA



Distributions After Death -Non-Spouse Beneficiary-



- Pre 2007 Distributions
- Rollover Options for 2007
- John Jones as Beneficiary of Jill Smith
- Inherited IRA



More Tax Issues and Reporting Requirements

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- Form 5329
 - 10% additional tax
 - Missed RMD deadline

Form 5329		Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (50)		▶ Attach to Form 1040 or Form 1040NR. ▶ See separate instructions.		2006 Attachment Sequence No. 29
Name of individual subject to additional tax, if married filing jointly, see instructions.		Your social security number		
Home address (number and street), or P.O. box if mail is not delivered to your home		Apt. no.		
City, town or post office, state, and ZIP code		If this is an amended return, check here <input type="checkbox"/>		
<p>Part I Additional Tax on Early Distributions Complete this part if you took a taxable distribution (other than a qualified hurricane distribution), before you reached age 59½, from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040—see above). You may also have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions (see instructions).</p>				
1	Early distributions included in income. For Roth IRA distributions, see instructions	1		
2	Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions	2		
3	Amount subject to additional tax. Subtract line 2 from line 1	3		
4	Additional tax. Enter 10% (10) of line 3. Include this amount on Form 1040, line 60, or Form 1040NR, line 55	4		
<p>Caution: If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 (instead of 10% (see instructions)).</p>				
<p>Part II Additional Tax on Certain Distributions From Education Accounts Complete this part if you included an amount in income, on Form 1040 or Form 1040NR, line 21, from a Coverdell education savings account (ESA) or a qualified tuition program (QTP).</p>				
5	Distributions included in income from Coverdell ESAs and QTPs	5		
6	Distributions included on line 5 that are not subject to the additional tax (see instructions)	6		
7	Amount subject to additional tax. Subtract line 6 from line 5	7		
8	Additional tax. Enter 10% (10) of line 7. Include this amount on Form 1040, line 60, or Form 1040NR, line 55	8		
<p>Part III Additional Tax on Excess Contributions to Traditional IRAs Complete this part if you contributed more to your traditional IRAs for 2006 than is allowable or you had an amount on line 17 of your 2005 Form 5329.</p>				
9	Enter your excess contributions from line 16 of your 2005 Form 5329 (see instructions). If zero, go to line 15	9		
10	If your traditional IRA contributions for 2006 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10		
11	2005 traditional IRA distributions included in income (see instructions)	11		
12	2005 distributions of prior year excess contributions (see instructions)	12		
13	Add lines 10, 11, and 12	13		
14	Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14		
15	Excess contributions for 2006 (see instructions)	15		
16	Total excess contributions. Add lines 14 and 15	16		
17	Additional tax. Enter 6% (06) of the smaller of line 16 or the value of your traditional IRAs on December 31, 2006 (including 2006 contributions made in 2007). Include this amount on Form 1040, line 60, or Form 1040NR, line 55	17		
<p>Part IV Additional Tax on Excess Contributions to Roth IRAs Complete this part if you contributed more to your Roth IRAs for 2006 than is allowable or you had an amount on line 25 of your 2005 Form 5329.</p>				
18	Enter your excess contributions from line 24 of your 2005 Form 5329 (see instructions). If zero, go to line 23	18		
19	If your Roth IRA contributions for 2006 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19		
20	2005 distributions from your Roth IRAs (see instructions)	20		
21	Add lines 19 and 20	21		
22	Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22		
23	Excess contributions for 2006 (see instructions)	23		
24	Total excess contributions. Add lines 22 and 23	24		
25	Additional tax. Enter 6% (06) of the smaller of line 24 or the value of your Roth IRAs on December 31, 2006 (including 2006 contributions made in 2007). Include this amount on Form 1040, line 60, or Form 1040NR, line 55	25		

For Privacy Act and Paperwork Reduction Act Notice, see page 6 of the instructions. cat. no. 132320 Form 5329 2006

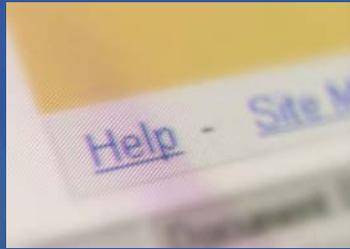
What if a Mistake is Made?

-IRS Correction Programs-

- Self-Correction
- Voluntary Correction
- Audit Closing Agreement Program
- Correction Examples
 - Failure to rollover a distribution within 60 days
 - Failure to make RMD



Retirement Plan Assistance



- www.irs.gov/ep
- Customer Account Services
– (877) 829-5500
- RetirementPlanQuestions@irs.gov
- Newsletters

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Inside This Issue

Use of Electronic Media for Providing Employee Benefit Notice...

Setting Up IRA Accounts for Plan Participants

IRS Issues Additional Pension Protection Act of 2006 Guidance and Introduces Web Page

Notice 2007-2, released on January 10, 2007, provides guidance, in the form of questions and answers on eight different provisions of the Pension Protection Act of 2006 (PPA) as enacted on August 17, 2006, that are effective in 2007 or earlier. The provisions of PPA addressed in this notice, which are primarily related to distributions, pertain to:

Interest rate assumptions for lump sum distributions,
Hardship distributions,
Early distributions to public safety employees